



APPENDIX 4c

Local Government Reorganisation Financial Analysis North Kesteven & South Kesteven Proposal

Sensitivity Testing | Financial Analysis of LGR Options

October 2025

**Financial analysis prepared for
North Kesteven District
Council (NKDC) & South
Kesteven District Council
(SKDC) as part of their Local
Government Reorganisation
(LGR) Business Case.**

This **Sensitivity Analysis** sets out potential variations on costs and benefits for key levers within the financial analysis.

Note on methodology:

The sensitivity analysis testing applies percentage ($\pm\%$) adjustments to each module's base position, not to top-line total for cost or benefit. This allows for the % impact to apply across underlying assumptions which provides the full modelled effect on total costs or benefits.

Contents

Sensitivity analysis covers:

- Aggregation Benefits (Staffing) (Increase)
- Aggregation Benefits (TPS) (Increase)
- Transition Costs (Increase)
- Disaggregation Disbenefit (Decrease)
- Disaggregation Disbenefit (Increase)
- Transformation Benefit (Increase)



LGR Proposed Structure

New Unitary Authority UA 1	New Unitary Authority UA 2	Existing Unitary Authority UA 3	Existing Unitary Authority UA 4
North Kesteven South Kesteven South Holland	Boston East Lindsey West Lindsey Lincoln	North Lincolnshire UA (unchanged)	North East Lincolnshire UA (unchanged)

Sensitivity Testing | Aggregation Benefits (Staffing) (Increase)

Relevant page in Executive Summary

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Lever	Current assumption applied	Fully Realised Annual Benefit	Annual benefit where + 0.5% applied	Annual benefit where + 1% applied	Annual benefit where + 1.5% applied	Annual benefit where + 2% applied	Annual benefit where + 2.5% applied	Annual benefit where + 3% applied
Reduction in Service Delivery FTE	1%	0.42M	0.63M	0.84M	1.06M	1.27M	1.48M	1.69M
Reduction in Front Office FTE	3%	0.71M	0.83M	0.95M	1.07M	1.19M	1.30M	1.42M
Reduction in Internal and Enabling Service FTE	3%	1.14M	1.33M	1.52M	1.71M	1.90M	2.09M	2.28M
Reduction in strategic Services FTE	3%	0.42M	0.49M	0.56M	0.63M	0.70M	0.77M	0.84M
TOTAL		2.70M	3.29M	3.88M	4.46M	5.05M	5.64M	6.23M

Sensitivity Testing | Aggregation Benefits (TPS) (Increase)

Relevant page in Executive Summary

11

Lever	Current assumption applied	Fully Realised Annual Benefit	Annual benefit where + 0.5% applied	Annual benefit where + 1% applied	Annual benefit where + 1.5% applied	Annual benefit where + 2% applied	Annual benefit where + 2.5% applied	Annual benefit where + 3% applied
Reduction in TPS UA1	1.3%	£4.15M	£5.75M	£7.35M	£8.95M	£10.54M	£12.14M	£13.74M
Reduction in TPS UA1	1.4%	£6.47M	£8.78M	£11.09M	£13.40M	£15.72M	£18.03M	£20.34M
TOTAL			£14.53M	£18.44M	£22.35M	£26.26M	£30.17M	£34.08M

Sensitivity Testing | Transition Cost (Increase)

Relevant page in Executive Summary

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Lever	Current assumption applied	Current one-off cost	Cost where + 0.5% applied	Cost where + 1% applied	Cost where + 1.5% applied	Cost where + 2% applied	Cost where + 2.5% applied	Cost where + 3% applied
New unitarities setup & closedown costs	N/A	2.65M	2.66M	2.68M	2.69M	2.70M	2.72M	2.73M
IT & Systems Costs	N/A	2.25M	2.27M	2.28M	2.29M	2.30M	2.31M	2.32M
Service / operating model design & implementation costs	N/A	8.75M	8.79M	8.84M	8.88M	8.93M	8.97M	9.01M
Redundancy costs ¹	N/A	3.67M	4.25M	4.84M	5.42M	6.01M	6.63M	7.18M
Contingency	N/A	5.20M	5.39M	5.59M	5.78M	5.98M	6.19M	6.37M
TOTAL		22.52M	23.37M	24.22M	25.07M	25.91M	26.81M	27.61M

1. % uplift has been applied to FTE within the staffing module to estimate the incremental increase in redundancy costs, rather than applying a blanket uplift to the baselined current cost.

Sensitivity Testing | Disaggregation Disbenefit (Decrease)

Relevant page in Executive Summary

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Lever	Current assumption applied	Fully Realised Annual Disbenefit	Annual Cost				
			Applying -0.1% Assumption: 1.9% cost	Applying -0.2% Assumption: 1.8% cost	Applying -0.3% Assumption: 1.7% cost	Applying -0.4% Assumption: 1.6% cost	Applying -0.5% Assumption: 1.5% cost
Cost of disaggregating ASC TPS	2%	7.03M	6.67M	6.32M	5.97M	5.62M	5.27M
Cost of disaggregating CSC TPS	2%	2.04M	1.94M	1.84M	1.74M	1.64M	1.53M
Contingency provision for disaggregation	0.5%	3.87M	3.10M	2.32M	1.55M	0.77M	0.00M
TOTAL		12.94M	11.71M	10.48M	9.26M	8.03M	6.80M

Sensitivity Testing | Disaggregation Disbenefit (Increase)

Relevant page in Executive Summary

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Lever	Current assumption applied	Fully Realised Annual Disbenefit	Annual Cost				
			Applying +0.1% Assumption: 2.1% cost	Applying +0.2% Assumption: 2.2% cost	Applying +0.3% Assumption: 2.3% cost	Applying +0.4% Assumption: 2.4% cost	Applying +0.5% Assumption: 2.5% cost
Cost of disaggregating ASC TPS	2%	7.03M	7.38M	7.73M	8.08M	8.43M	8.78M
Cost of disaggregating CSC TPS	2%	2.04M	2.15M	2.25M	2.35M	2.45M	2.56M
Contingency provision for disaggregation	0.5%	3.87M	4.64M	5.42M	6.19M	6.96M	7.74M
TOTAL		12.94M	14.17M	15.39M	16.62M	17.85M	19.08M

Sensitivity Testing | Transformation Benefit (Increase)

Relevant page in Executive Summary

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Lever	Current assumption applied	Fully Realised Annual Benefit	Annual benefit where + 0.5% applied	Annual benefit where + 1% applied	Annual benefit where + 1.5% applied	Annual benefit where + 2% applied	Annual benefit where + 2.5% applied	Annual benefit where + 3% applied
Reduction in Service Delivery FTE	2%	0.59M	0.74M	0.88M	1.03M	1.18M	1.33M	1.47M
Reduction in Front Office FTE	1%	0.52M	0.79M	1.05M	1.31M	1.57M	1.84M	2.10M
Reduction in Internal and Enabling Service FTE	2%	0.99M	1.24M	1.48M	1.73M	1.98M	2.22M	2.47M
Reduction in strategic Services FTE	2%	0.35M	0.43M	0.52M	0.61M	0.70M	0.78M	0.87M
Reduction in TPS	2%	16.67M	20.84M	25.00M	29.17M	33.34M	37.50M	41.67M
Increase in Fees	1%	0.68M	1.03M	1.37M	1.71M	2.05M	2.40M	2.74M
TOTAL		19.80M	25.05M	30.31M	35.56M	40.81M	46.07M	51.32M

This page pulls together all the key elements from the various detailed sensitivity tables show above.

Table created by NK/SK based on PwC data.

Aggregation Saving	Baseline	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	min-max
Staffing (excl snr mgmt)	2.7	3.29	3.88	4.46	5.05	5.64	6.23	3.53
Third Party Spend	10.62	14.53	18.44	22.35	26.26	30.17	34.08	23.46
No change elements	4.73	4.73	4.73	4.73	4.73	4.73	4.73	0
TOTAL	18.05	22.55	27.05	31.54	36.04	40.54	45.04	26.99
Phasing								
Y1	0.6	10.83	13.53	16.23	18.92	21.62	24.32	27.02
Y2	0.8	14.44	18.04	21.64	25.23	28.83	32.43	36.03
Y3	0.9	16.25	20.30	24.35	28.39	32.44	36.49	40.54
Y4	1	18.05	22.55	27.05	31.54	36.04	40.54	45.04
Y5	1	18.05	22.55	27.05	31.54	36.04	40.54	45.04
Transition		-22.52	-23.27	-24.22	-25.07	-25.91	-26.81	-27.61
Transformation	Phasing	19.82	25.05	30.31	35.56	40.81	46.07	51.32
Y1	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Y2	0.2	3.96	5.01	6.06	7.11	8.16	9.21	10.26
Y3	0.5	9.91	12.53	15.16	17.78	20.41	23.04	25.66
Y4	1	19.82	25.05	30.31	35.56	40.81	46.07	51.32
Y5	1	19.82	25.05	30.31	35.56	40.81	46.07	51.32
Transformation Cost	Phasing	-6.54	-8.27	-10.00	-11.73	-13.47	-15.20	-16.94
Y1	0.1	-0.65	-0.83	-1.00	-1.17	-1.35	-1.52	-1.69
Y2	0.25	-1.64	-2.07	-2.50	-2.93	-3.37	-3.80	-4.23
Y3	0.35	-2.29	-2.89	-3.50	-4.11	-4.71	-5.32	-5.93
Y4	0.2	-1.31	-1.65	-2.00	-2.35	-2.69	-3.04	-3.39
Y5	0.1	-0.65	-0.83	-1.00	-1.17	-1.35	-1.52	-1.69
Transformation Net		13.28	16.78	20.31	23.83	27.34	30.87	34.38
Y1		-0.65	-0.83	-1.00	-1.17	-1.35	-1.52	-1.69
Y2		2.33	2.94	3.56	4.18	4.80	5.41	6.03
Y3		7.62	9.63	11.65	13.67	15.69	17.71	19.73
Y4		18.51	23.40	28.31	33.21	38.12	43.03	47.93
Y5		19.17	24.22	29.31	34.39	39.46	44.55	49.63
Disaggregation disbenefit	Baseline	-0.10%	-0.20%	-0.30%	-0.40%	-0.50%		
Disaggregation disbenefit		-12.94	-11.71	-10.48	-9.26	-8.03	-6.8	6.14
		0.10%	0.20%	0.30%	0.40%	0.50%		
		-12.94	-14.17	-15.39	-16.62	-17.85	-19.08	-6.14

Model Baseline	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	10.83	14.44	16.25	18.05	18.05	77.62
Total Financial Disbenefit Costs (£M)	-12.94	-12.94	-12.94	-12.94	-12.94	-64.70
Total One-Off Transition Costs (£M)	-22.52	0	0	0	0	-22.52
Total Transformation Benefits (£M)	0.00	3.96	9.91	19.82	19.82	53.51
Total One-Off Transformation Costs (£M)	-0.65	-1.64	-2.29	-1.31	-0.65	-6.54
In-year Net Benefit / (Costs) (£M)	-25.28	3.83	10.93	23.62	24.28	37.37
Net benefit cuml	-25.28	-21.46	-10.53	13.09	37.37	

Impact of changing key inputs (1)

The top table reflects the baseline position in the model.

Step 1 (0.5% application; Baseline Transition, Disaggregation)	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	13.53	18.04	20.30	22.55	22.55	96.97
Total Financial Disbenefit Costs (£M)	-12.94	-12.94	-12.94	-12.94	-12.94	-64.70
Total One-Off Transition Costs (£M)	-22.52	0	0	0	0	-22.52
Total Transformation Benefits (£M)	0.00	5.01	12.53	25.05	25.05	67.64
Total One-Off Transformation Costs (£M)	-0.83	-2.07	-2.89	-1.65	-0.83	-8.27
In-year Net Benefit / (Costs) (£M)	-22.76	8.04	16.99	33.01	33.83	69.11
Net benefit cuml	-22.76	-14.71	2.27	35.28	69.11	

The next three tables retain the baseline for the one-off transition cost, and the ongoing cost of disaggregation.

Step 3 (1.5% application; Baseline Transition, Disaggregation)	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	18.92	25.23	28.39	31.54	31.54	135.62
Total Financial Disbenefit Costs (£M)	-12.94	-12.94	-12.94	-12.94	-12.94	-64.70
Total One-Off Transition Costs (£M)	-22.52	0	0	0	0	-22.52
Total Transformation Benefits (£M)	0.00	7.11	17.78	35.56	35.56	96.01
Total One-Off Transformation Costs (£M)	-1.17	-2.93	-4.11	-2.35	-1.17	-11.73
In-year Net Benefit / (Costs) (£M)	-17.71	16.47	29.12	51.81	52.99	132.68
Net benefit cuml	-17.71	-1.24	27.88	79.69	132.68	

Step 1 table applies the 0.5% to both aggregation benefits and Transformation benefits, with the transformation cost benefit ratio also applied.

Step 5 (3.0%; application; Baseline Transition, Disaggregation))	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	27.02	36.03	40.54	45.04	45.04	193.67
Total Financial Disbenefit Costs (£M)	-12.94	-12.94	-12.94	-12.94	-12.94	-64.70
Total One-Off Transition Costs (£M)	-22.52	0	0	0	0	-22.52
Total Transformation Benefits (£M)	0.00	10.26	25.66	51.32	51.32	138.56
Total One-Off Transformation Costs (£M)	-1.69	-4.23	-5.93	-3.39	-1.69	-16.94
In-year Net Benefit / (Costs) (£M)	-10.13	29.12	47.33	80.03	81.73	228.08
Net benefit cuml	-10.13	18.99	66.32	146.35	228.08	

Step 3 table applies the mid point 1.5%

Step 5 table applies the maximum 3.0% used in the sensitivity range.

Table created by NK/SK based on PWC data

Impact of changing key inputs (2)

Model Baseline	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	10.83	14.44	16.25	18.05	18.05	77.62
Total Financial Disbenefit Costs (£M)	-12.94	-12.94	-12.94	-12.94	-12.94	-64.70
Total One-Off Transition Costs (£M)	-22.52	0	0	0	0	-22.52
Total Transformation Benefits (£M)	0.00	3.96	9.91	19.82	19.82	53.51
Total One-Off Transformation Costs (£M)	-0.65	-1.64	-2.29	-1.31	-0.65	-6.54
In-year Net Benefit / (Costs) (£M)	-25.28	3.83	10.93	23.62	24.28	37.37
Net benefit cuml	-25.28	-21.46	-10.53	13.09	37.37	

The top table again reflects the baseline position in the model.

Model Baseline - Plus top end Transition Cost	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	10.83	14.44	16.25	18.05	18.05	77.62
Total Financial Disbenefit Costs (£M)	-12.94	-12.94	-12.94	-12.94	-12.94	-64.70
Total One-Off Transition Costs (£M)	-27.61	0	0	0	0	-27.61
Total Transformation Benefits (£M)	0.00	3.96	9.91	19.82	19.82	53.51
Total One-Off Transformation Costs (£M)	-0.65	-1.64	-2.29	-1.31	-0.65	-6.54
In-year Net Benefit / (Costs) (£M)	-30.37	3.83	10.93	23.62	24.28	32.28
Net benefit cuml	-30.37	-26.55	-15.62	8.00	32.28	

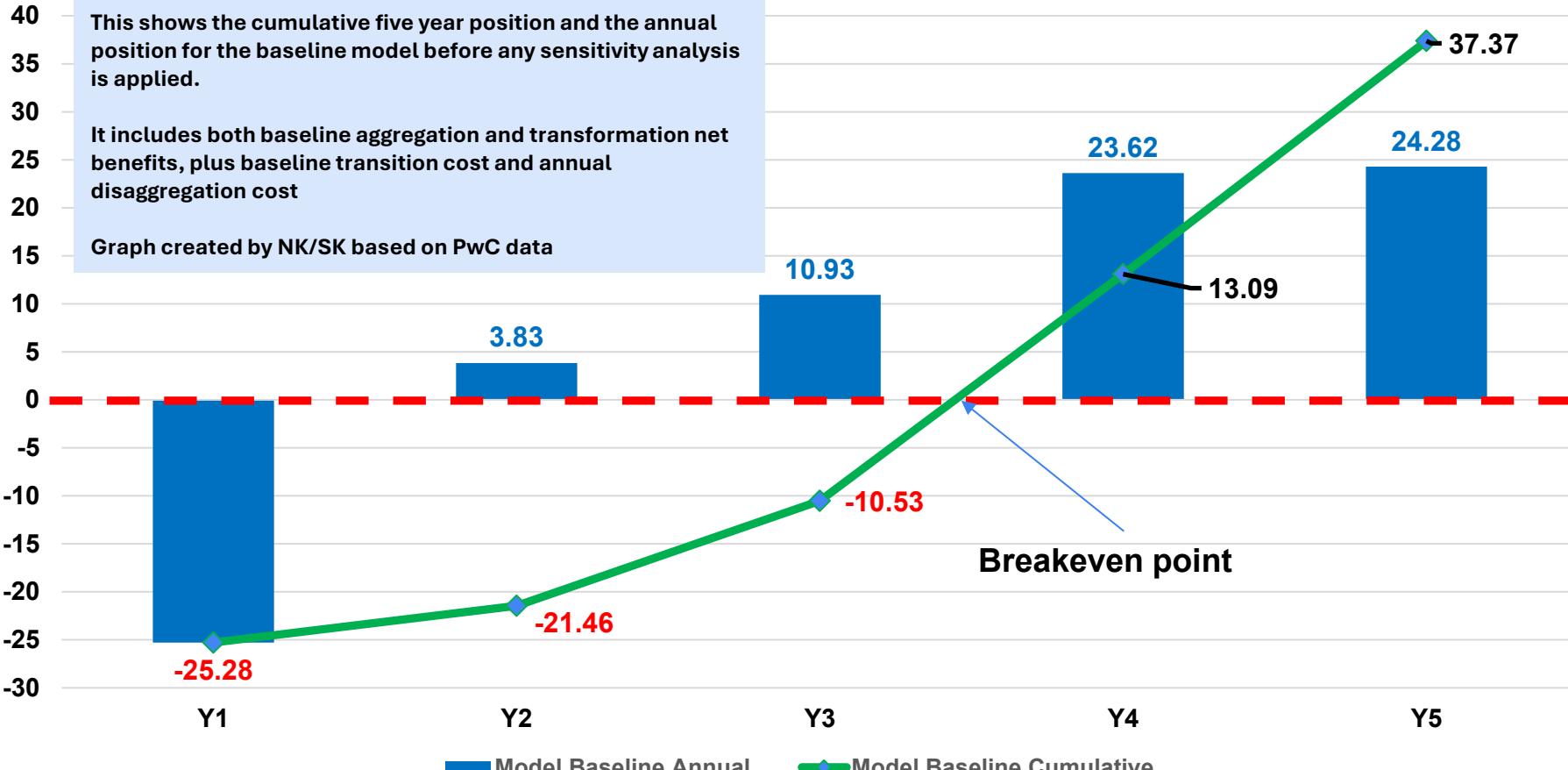
The mid table retains the model baseline for aggregation; disaggregation and transformation; and applies the upper end for the one-off transition cost

Model Baseline - Plus low end disaggregation cost	Y1	Y2	Y3	Y4	Y5	Y5 Cuml
Total Aggregation Benefits (£M)	10.83	14.44	16.25	18.05	18.05	77.62
Total Financial Disbenefit Costs (£M)	-6.80	-6.80	-6.80	-6.80	-6.80	-34.00
Total One-Off Transition Costs (£M)	-22.52	0	0	0	0	-22.52
Total Transformation Benefits (£M)	0.00	3.96	9.91	19.82	19.82	53.51
Total One-Off Transformation Costs (£M)	-0.65	-1.64	-2.29	-1.31	-0.65	-6.54
In-year Net Benefit / (Costs) (£M)	-19.14	9.97	17.07	29.76	30.42	68.07
Net benefit cuml	-19.14	-9.18	7.89	37.65	68.07	

The bottom table retains the model baseline for aggregation; transition and transformation; and applies the lower end for the ongoing disaggregation costs.

Table created by NK/SK based on PwC data

Pre-Sensitivity Analysis Impacts - Baseline Model Cumulative & Annual Benefit £m



Sensitivity Analysis Impacts - Cuml Benefit £m

250

This shows the cumulative five year position for the baseline, and for each of the options shown in the tables set out on the two previous pages.

225

The graph starkly demonstrates the scale of the financial change – with the difference between highest and lowest of these scenarios being close to £200m over 5 years.

200

Equally the change in payback period is clearly shown

175

Graph created by NK/SK based on PwC data

150

125

100

75

50

25

0

-25

-50

Y1

Y2

Y3

Y4

Y5

Model Baseline

Step 5 3.0% fixed T & D

Step 1 0.5%; fixed T & D

Model Baseline Max T

Step 3 1.5% fixed T & D

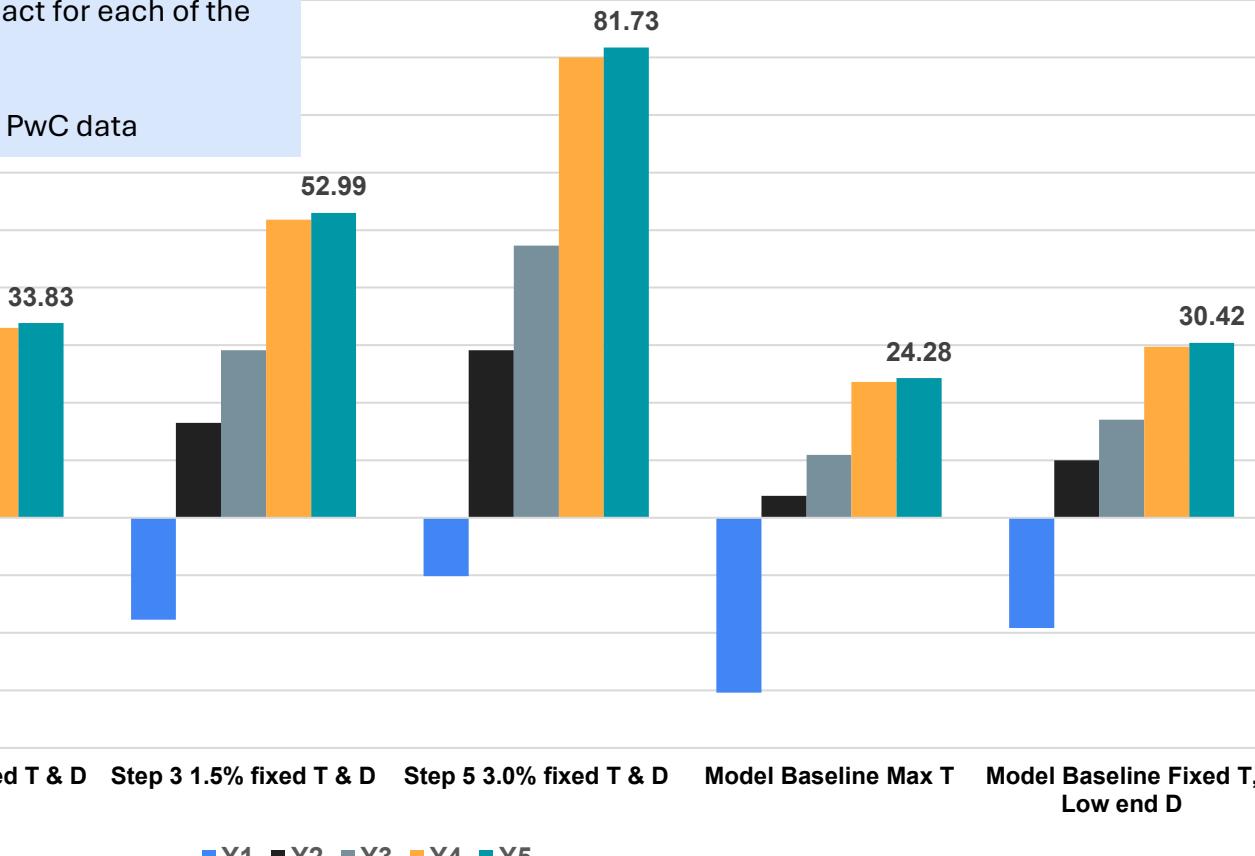
Model Baseline Fixed T, Low end D

Sensitivity Analysis Impacts - In year Benefit

90
80
70
60
50
40
30
20
10
0
-10
-20
-30
-40

This shows the annual benefit impact for each of the sensitivity scenario examples.

Graph created by NK/SK based on PwC data

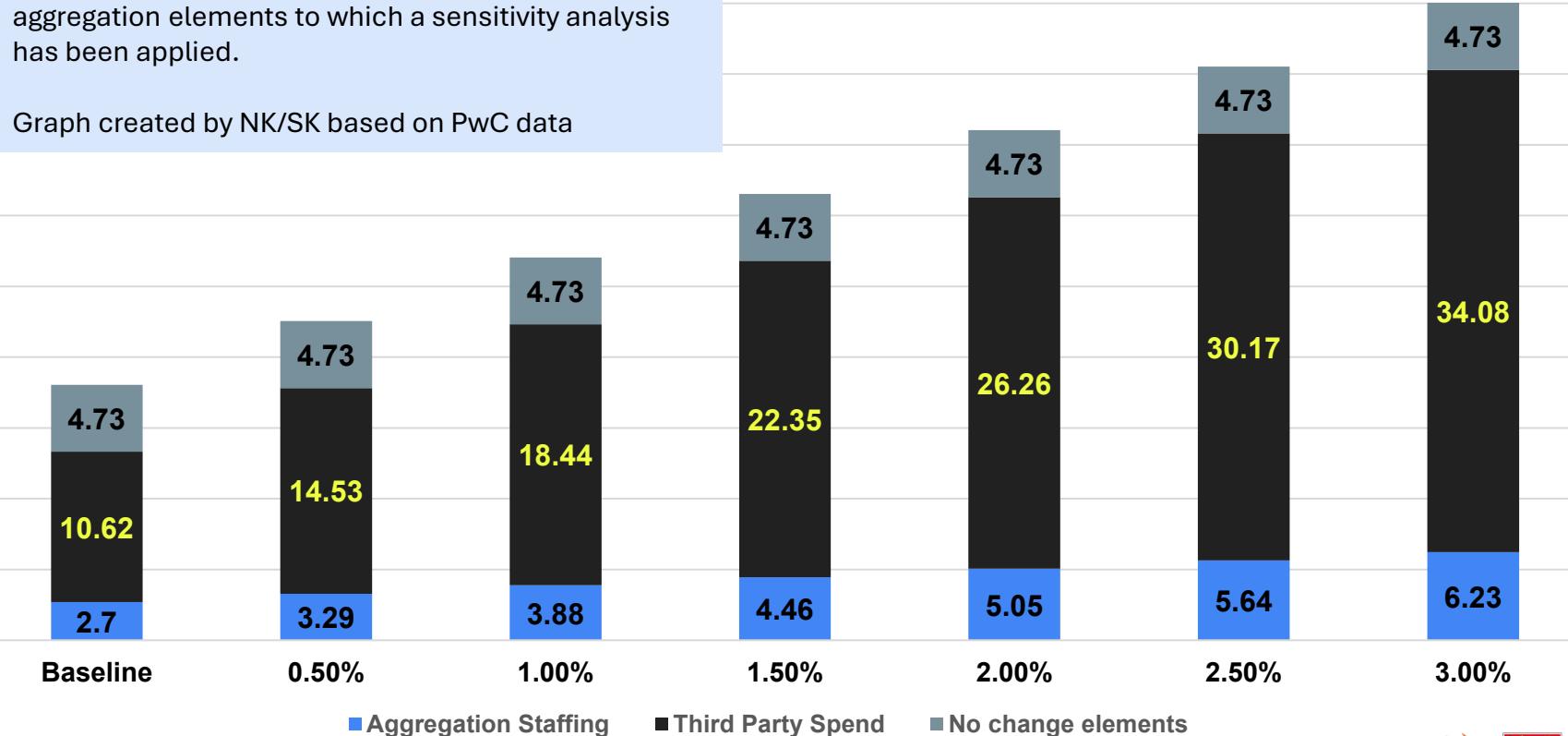


■ Y1 ■ Y2 ■ Y3 ■ Y4 ■ Y5

Sensitivity Analysis Impacts - Aggregation Benefits elements

This shows the disproportionate impact that different elements have, with this example being for the core aggregation elements to which a sensitivity analysis has been applied.

Graph created by NK/SK based on PwC data



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